

**3RD QUARTER 2011**

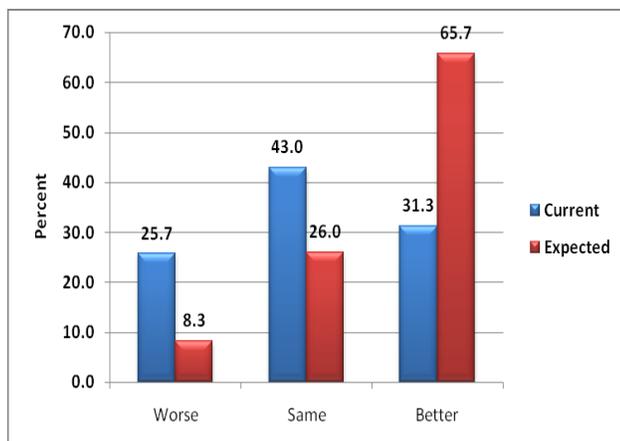
**SUMMARY REPORT**

**DIFFICULTY IN ACCESSING CREDIT AND LOW PURCHASING POWER CONSTITUTE A BARRIER TO DOING BUSINESS IN GHANA**

Difficulty in Accessing Credit by business operators remains the most critical factor contributing to increasing cost of doing business in Ghana. Government and the Bank of Ghana must give top priority in improving financial intermediation in the country to enable entrepreneurs to access credit to start new businesses or expand existing businesses. Business owners also revealed that declining market shares as a result of low purchasing power of consumers is also a major impediment to business development in the country.

**OVERALL PERCEPTION OF BUSINESS PERFORMANCE**

The AGI third quarter, 2011 Business Barometer, showed a marginal drop in business confidence (i.e. 65.7%; see Fig 1 below) compared to that of second quarter of 2011 (i.e. 65.9%). About 66% of the captains of businesses were optimistic that their businesses will do well in the fourth quarter this year, because they expect: increase in market share, improved internal efficiency through training of staff, and an enhanced buying power of consumers. On the contrary, 8.3% of the respondents were pessimistic going into the last quarter of 2011 because they may not win government contracts, utility prices could go up and their markets are likely to shrink.



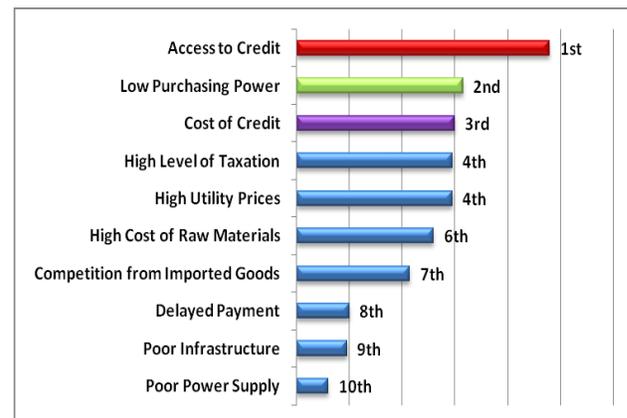
**Fig. 1 Overall Business Performance for Q3 2011**

On a whole, the third quarter of 2011 (2011 Q3) expectation of business performance was not significantly different from that of second quarter (2011 Q2) of the same year. Whilst, 65.7%, 26.0% and 8.3% said they expect their businesses to perform better, same and worse respectively in 2011 Q4; 65.9%, 26.1% and 8.0%

expected their firms to achieve better, same and worse performance respectively.

**OVERALL MAJOR CHALLENGES**

For the second quarter running in 2011, the topmost factor limiting expansion of businesses in the country was attributed to low access to credit. The biggest mover is low purchasing power which climbed from sixth (2011 Q2) to second (2011 Q3). The top two challenges are positively correlated as low access to credit leads to consumers' inability to have money to spend.



**Fig. 2 Overall Challenges for Q3 2011**

Unfortunately, low purchasing ability of consumers implies decrease in demand which results in low growth of businesses. The Bank of Ghana must apply its moral suasion effectively to ensure that the intermediary role of the banking sector is fully realized in the area of credit expansion to the private sector.

High cost of credit maintains its dominant ranking in the top three. Interestingly, poor power supply breaks through the top ten challenges of the Business Barometer for the first time.

**CHALLENGES BY SIZE**

**Table 1: Top 3 Challenges by Size**

Size	Challenges		
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>
<b>SMEs</b>	Access to Credit	Low Purchasing Power	High Level of Taxation
<b>Large</b>	Competition from Imported Goods	Cost of Credit	High Level of Taxation
<b>African Giants</b>	Poor Infrastructure	Poor Power Supply	High Level of Taxation

## CHALLENGES BY SECTOR

Fig. 3, shows that unfavourable weather conditions (6<sup>th</sup>), difficulty in land acquisition (7<sup>th</sup>) and lack of skilled labour (10<sup>th</sup>) are factors outside the overall top ten challenges impeding modernization of the agricultural sector in the country.

### AGRICULTURE

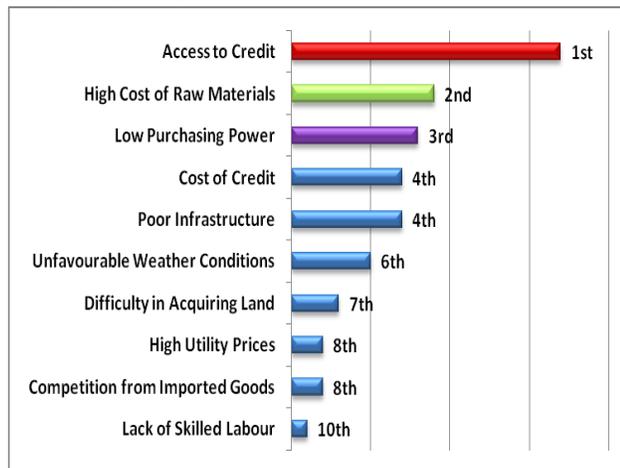


Fig. 3 Challenges Facing the Agriculture Sector

CEOs of the construction sector in Ghana revealed that, lack of contracts, unfair award of contracts and unfavourable weather conditions are some of the sector-specific obstacles restricting the growth of the sector (see Fig. 4 for detail result).

### CONSTRUCTION

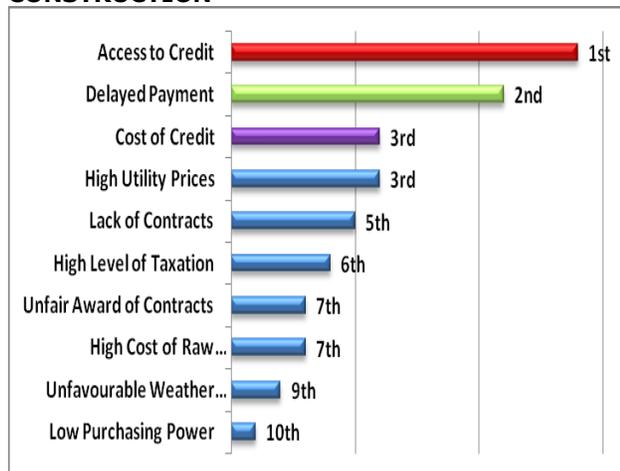


Fig. 4 Challenges Facing the Construction Sector

### MANUFACTURING

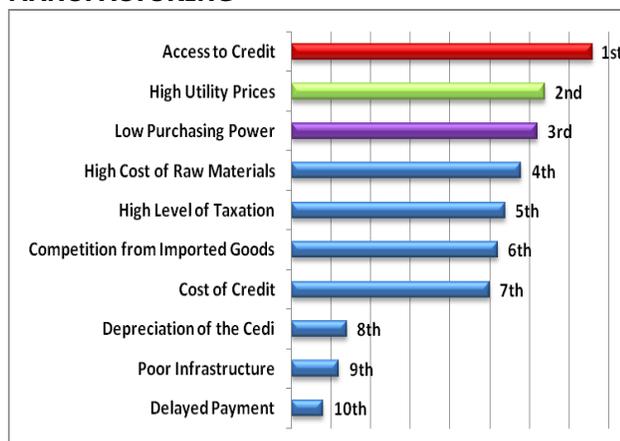


Fig. 5 Challenges Facing the Manufacturing Sector

According to Fig. 5, high cost of raw materials (4<sup>th</sup>), competition from imported goods (6<sup>th</sup>) and depreciation of the cedi (8<sup>th</sup>) are among the key factors rendering the manufacturing sector less competitive.

### SERVICE

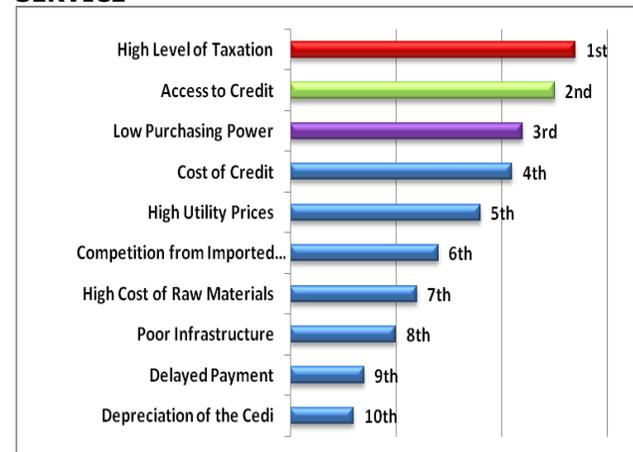


Fig. 6 Challenges Facing the Service Sector

The service sector identified high level of taxation (1<sup>st</sup>), poor infrastructure (8<sup>th</sup>) and delayed payment (9<sup>th</sup>) among others as barriers decreasing the output of the sector.

### THE AGI BB INDICATOR (BBI)

The AGI BBI measures the level of confidence in the business environment and predicts short-term business trend. It simply expresses the state of the business climate in one number, ranging between +100 and -100. It is calculated out of "current" business mood and "expectations" for the future. 2011 Q3 recorded a positive indicator of 30.1 which indicates a marginal drop in business expectation over 2011 Q2 (which recorded an indicator of 30.3). This is an indication that the business community is still confident in the business environment going into the final quarter of 2011.

Fig. 7 AGI BBI

